

Message Text

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PAGE 01 PARIS 20391 131257Z

44

ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

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P R 131220Z JUL 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 2921

INFO ALL EC CAPITALS 0121

AMEMBASSY OTTAWA

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ETRD, EEC, FR

SUBJECT: SPECIALTY STEEL CONTROLS

REF: (A) PARIS 18522, (B) STATE 160166

SUMMARY: FRENCH IRON AND STEEL INSTITUTE EXPERTS
HAVE BEEN INFORMED U.S. DOES NOT INTEND TO SUB-ALLOCATE
EC QUOTAS. THEY REGISTERED DISAPPOINTMENT AND PRE-
DICTED POLITICAL REPERCUSSIONS. WHEN REFERRED TO
BRUSSELS FOR DISCUSSION OR MODIFICATION OF PRESENT
QUOTA, EXPERTS REITERATED VIEW EC COMMISSION DOES NOT
HAVE LEGAL RIGHT TO SUB-ALLOCATE EC QUOTA. THEY
ASKED HOW U.S. WOULD ADMINISTER SPECIALTY STEEL
CONTROLS AND WERE TOLD DETAILS NOT YET AVAILABLE.
EMBOFFS DID NOT HAZARD OPINION ON WHETHER CONTROLS
WOULD BE RELAXED BEFORE THREE YEARS BUT ADMITTED TO
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PAGE 02 PARIS 20391 131257Z

POSSIBILITY. END SUMMARY

1. EMBOFFS CONVEYED SUBSTANCE OF REFTEL B TO SPECIALTY STEEL EXPERTS AT FRENCH IRON AND STEEL INSTITUTE JULY 9. INSTITUTE EXPERTS DID NOT AGREE WITH ARGUMENTATION PARA 1 REFTEL B BUT CONSIDERED IT FRUITLESS TO DISCUSS FURTHER POINT OF WHO HAD BEEN REWARDED AND WHO PUNISHED BY QUOTAS ALLOCATED UNDER U.S. SPECIALTY STEEL CONTROLS.

2. INSTITUTE EXPERTS WERE CLEARLY DISAPPOINTED TO LEARN U.S. HAS NO INTENTION OF SUB-ALLOCATING EC QUOTA. WE INFORMED THEM THAT ASSIGNMENT OF AN OVER-ALL QUOTA ALLOWS MAXIMUM FLEXIBILITY TO EC AND WAS FORM OF QUOTA PREFERRED BY EC COMMISSION ITSELF; FURTHERMORE, WE STATED THAT HIGH EC OFFICIAL HAD RECENTLY EXPRESSED VIEW THAT U.S. SHOULD "LEAVE IT TO COMMUNITY TO SORT OUT SUB-ALLOCATION PROBLEMS." THEY WERE REFERRED TO BRUSSELS FOR ANY DISCUSSION OF MODIFICATION OF PRESENT QUOTA. INSTITUTE EXPERTS THEN REITERATED POSITION REPORTED IN REFTEL A THAT EC COMMISSION HAD NO LEGAL RIGHT TO SUB-ALLOCATE EC QUOTAS. IN FACT, CARRYING THEIR ARGUMENT STEP FURTHER, STEEL EXPERTS CLAIMED GOF DID NOT HAVE POWER LIMIT FRENCH STEEL EXPORTS WITHOUT LEGISLATIVE ACTION.

3. IN FRENCH EXPERTS' VIEW, U.S. POSITION ON SUB-ALLOCATION QUESTION BY ACTIVATING "FIRST COME, FIRST SERVED" PRINCIPLE COULD LEAD TO CAT AND DOG FIGHT WHICH WOULD DE-STABILIZE MARKET, INITIATE PRICE WAR, AND LEAD TO POSSIBLE U.S. CLAIMS OF DUMPING BY EC SUPPLIERS. THEY BELIEVED RESULTS OF U.S. ACTION WOULD BECOME APPARENT IN THREE MONTHS TIME AND COULD HAVE SERIOUS POLITICAL REPERCUSSIONS.

4. HAVING APPARENTLY ACCEPTED THE INEVITABILITY OF THIS GRIM SCENARIO, FRENCH EXPERTS INQUIRED HOW U.S. INTENDED ADMINISTRATIVELY TO IMPOSE SPECIALTY STEEL CONTROLS AND INDIVIDUAL QUOTAS. WE REPLIED NO SPECIFIC INFORMATION WAS YET AVAILABLE TO EMBASSY BUT WE WOULD KEEP THEM INFORMED OF DEVELOPMENTS.

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PAGE 03 PARIS 20391 131257Z

5. IN LATER PRIVATE DISCUSSION WITH INSTITUTE EXECUTIVE, EMBOFFS WERE ASKED TO COMMENT ON HIS PERSONAL VIEW THAT SPECIALTY STEEL CONTROLS WERE BASICALLY U.S. POLITICAL ACTION IN ELECTION YEAR AND MIGHT FADE AWAY SHORTLY AFTER PRESIDENTIAL ELECTIONS, GIVEN CONTINUING RECOVERY OF U.S. ECONOMY AND INCREASING DEMAND FOR STEEL OF ALL KINDS. WE WOULD ONLY COMMENT THAT, ALTHOUGH IMPOSED FOR THREE YEARS, IMPORT RESTRAINTS COULD BE

RELAXED OR REMOVED AT ANY TIME PRIOR TO JUNE 1979
WHEN PRESIDENT FINDS DOMESTIC INDUSTRY IS REGAINING
HEALTHY PRODUCTION AND EMPLOYMENT POSITION. WE DID
NOT HAZARD OPINION AS TO WHETHER OR WHEN SUCH JUXTA-
POSITION OF EVENTS WOULD TAKE PLACE.
RUSH

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Message Attributes

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Margaret P. Grafeld
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